

PENSION BOARD MEETING

Wednesday, November 11, 2015
9:00 AM – Fourth Floor Conference Room

MEETING MINUTES

Members Present:

Bill Bruton	Tim Milligan
Anthony Coleman	Freddy Morgan
Philip Goldstein	Beth Sessoms
Jake King	Jess Zerbe
Eric Lockhart	

Absent:

None

Ex-Officio Members:

Davy Godfrey -- Director, Human Resources & Risk Management and Pension Board Secretary
Sam Lady – Finance Director and Pension Board Treasurer

Visitors / Guests

Ian Janecek and Scott Arnwine – Gavion
Rob Johnson – Principal Financial Group
Cynthia Sanh – Benefits Manager
Meredith Weber – Benefits Technician
Patina Brown – Utility Business Manager
Janet Cosper – Surviving Spouse of Hal Cosper
Don Horton – Guest of Mrs. Cosper
Larry Wills – Marietta resident

Chairperson Freddy Morgan declared a quorum and called the meeting to order at 9:01 am. He opened the meeting, thanked all service members and veterans, and welcomed newly-appointed member, Beth Sessoms, to the board. He recognized outgoing members, Jess Zerbe and Eric Lockhart, and gave Eric an opportunity to say some parting words. Eric indicated, among other things, that the board should remain on task for the \$100MM goal and monitor the advisor fees we are paying.

Chairperson Morgan asked for a **motion to approve the 12 August 2015 Pension Board minutes**, which included a correction to item number seven on the retirement applications. **Eric Lockhart made the motion, Anthony Coleman seconded, and the vote was unanimous, 9-0.**

Chairperson Morgan asked Davy Godfrey to provide an update to the **Pension Board elections**. Davy advised that the General Employees' election will be December 1, 2015, with the seats of Eric Lockhart and Freddy Morgan up for election. Freddy Morgan, Rick Steffes, Patina Brown, and Leroy Jones were selected by the Nominating Committee to run for the two seats. Beth Sessoms was appointed by the committee to replace Barry Echols in his vacated seat until December 31, 2016. The Fire Department is in the midst of its election, and discussion was held regarding the election procedures and length of time allowed. The Fire Department conducted an online "SurveyMonkey" style election over the course of 10 days.

Chairperson Morgan asked Ian Janecek from Gavion to provide a 3rd quarter **update on the General Pension investment portfolio**. Ian presented a report that was updated with October's numbers. He indicated there has been a gain since 2008, but the fund has had a difficult year versus the peer group. This year has been similar to 2011, in that there are international concerns causing a pullback in energy, commodities, and even health care. The fund is still top quartile, but there is exposure to health care as a defensive sector. Utilities have been better performers with a stable, solid return, but no exposure. There has been a dramatic pullback in energy starting in the 4th quarter of 2014. Health care remains to be a unique investment. The fund is down 6% in the quarter and 4.7% for the year to date.

The city didn't participate in the selloff on the fixed side. Equity is down 9.2% in the quarter and 7.4% for the year to date. The managers have been consistent in the 3rd quarter. Ian thinks the volatility will continue, as 1/6 of all trades have been happening in the last 30 minutes of trading each day. There has been a trend of one bad report affecting one's worldview and bringing everyone down, hence the volatility. Not owning certain sectors helps them ride the wave. Energy appreciated during the quarter, so it was good for the city to wait on selling. Overall, a good month in October and, while volatility will be higher, we could also see higher returns to balance out the 3rd quarter losses. Some of the losses were due to the Federal Reserve discussing a rate increase. Ian thinks the interest rates will increase, and that it's a good thing. As of now, there is a concern with China, mergers and acquisitions, and the upcoming presidential election. Ian doesn't recommend international investment because of the volatility. Eric Lockhart asked Ian if he thinks we will see a positive, negative, or neutral shift in the city's fund. Ian stated there is a better than 60% chance for a positive return. Philip Goldstein asked Ian about the funding value outlook. Ian answered that, although an actuary would need to be consulted, \$120MM is possible. However, the chances are lower than 60%, as it's tougher to predict based on the 10-year window required for looking at the funding. Chairperson Morgan thanked Ian, and he and Scott Arnwine departed.

Chairperson Morgan asked Rob Johnson from Principal Financial Group to provide a 3rd quarter **update on the Supplemental Pension investment portfolio**. Rob stated that, although much has happened, the portfolio is virtually the same. Rob recommended the city add Real Estate and mid-cap growth options to the portfolio. He stated that they are good qualitatively as they are sub-advised, and also good quantitatively as they have all favorable aside from two neutrals. *(Anthony Coleman departed the meeting at 9:44am and returned at 9:51am)*. Rob indicated that we should make a decision on departing from Harbor International because of the bad performance and outlook. Philip Goldstein asked if we should replace it or remain with it. Rob advised that there is a charge associated with more than one mailer in a year, thus we should probably wait until the first of the year to advise the employees. Sam Lady concurred, but reiterated that we should review how much money is invested in the Harbor International fund. There is currently \$872K invested. Rob said that there is a little risk in waiting to remain in a poor performer, but waiting until the first of the year wouldn't be too bad. He advised that shifting to something like real estate is good because it acts as a hedge during inflation. He reiterated adding mid-cap growth and government backed bonds are also good during bad times. Sam Lady asked about minimum participation requirements in a fund. Rob stated there was no minimum requirement. Tim Milligan asked about the maximum number of funds the city could have. Rob answered that 30 is the limit plus target funds without an extra charge, and the city currently has 12. Eric asked if international volatility has affected the Harbor International fund, or if there has been a manager change causing the issues. Rob is not sure, but will provide an answer at the next meeting. At this point, there was lengthy discussion regarding employee investment options, employee education initiatives, mandatory education sessions, and employee educational materials. *(Philip Goldstein departed the meeting at 10:02am and returned at 10:04am)*. There was more discussion regarding legality of shifting the **default investment portfolio**. Chairperson Morgan advised that we could get the Pension Attorney to review it. Chairperson Morgan thanked Rob for his presentation, and Rob departed.

Chairperson Morgan presented a letter to the board written by Mrs. Janet Cosper, widow of Hal Cosper, an employee who died in July of this year. Mrs. Cosper, as well as her guest, Mr. Don Horton, made remarks to the board, stating that the board should review **survivor's benefits for vested employees who die during employment**, and stating that the city's plan was unusual. Chairperson Morgan presented a letter from the Pension Attorney that interpreted a section in the code regarding survivor's benefits. Chairperson Morgan advised Mrs. Cosper that the current plan does not provide survivor's benefits to employees who have not retired, and any action would have to come from the board and approved by the City Council. Mrs. Cosper thanked the board for its time and departed the meeting.

Chairperson Morgan then asked Davy Godfrey to present the **retirement applications** since the last meeting. Davy began by stating that there was one prior pension verification form outstanding, and it was that of Mr. Calvin Gosa. Davy stated that he was working with the authorities in Chatham County to resolve the situation and get Mr. Gosa his pension checks. He would continue to provide the board

updates on this matter. *(Jake King departed the meeting at 10:15).* Regarding retirement applications, Davy presented the following 11 for approval:

1. BLAIR, THOMAS D. – Consolidated, Life Only. Unreduced Early.
Effective 9/1/2015. Monthly Benefit of \$3429.62.
Employed 2/2/1989 to 8/31/2015, 26 years, 7 months. Fire Lieutenant
2. BLOUNT, VIVIAN D. – Consolidated, Life Only. Normal Benefit.
Effective 9/1/2015. Monthly Benefit of \$3097.50.
Employed 4/25/1974 to 8/31/2015, 41 years, 4 months. Recreation Coordinator.
3. CAYLOR, JANICE R. – Consolidated, Disability Benefit.
Effective 9/1/2015. Monthly Benefit of \$1500.20.
Employed 11/9/1998 to 8/31/2015, 16 years, 9 months. Support Services Technician.
4. ECHOLS, BARRY W. – Consolidated, Life Only. Early Benefit.
Effective 9/1/2015. Monthly Benefit of \$1174.60.
Employed 8/15/2005 to 8/31/2015, 10 years. Director of Utility Marketing.
5. FISCHLEIN, TERRY L. – Consolidated, Life Only. Unreduced Early Benefit.
Effective 9/1/2015. Monthly Benefit of \$1073.45.
Employment period (1/9/1995 – 1/31/2001 and 7/9/2001 – 8/31/2015), 20 years, 2 months. Automotive Service Worker.
6. MAXWELL, NELLIE J. – Consolidated, Life Only. Unreduced Early Benefit.
Effective 10/1/2015. Monthly Benefit of \$1641.11.
Employed 2/2/1993 to 9/30/2015, 22 years, 7 months. Final Billing Representative.
7. MCELHANNON, JANICE P. – Consolidated, Life Only. Early Benefit.
Effective 9/1/2015. Monthly Benefit of \$473.80.
Employed 5/2/2005 to 8/31/2015, 10 years, 4 months. Accounting Clerk.
8. WALKER, JAMES O. – Consolidated, Life Only. Early Benefit.
Effective 9/1/2015. Monthly Benefit of \$467.90.
Employed 7/24/2006 to 8/31/2015, 9 years, 1 month. Equipment Operator.
9. WILHOITE, STACEY E. – Consolidated, Life Only. Unreduced Early Benefit.
Effective 9/1/2015. Monthly Benefit of \$3821.33.
Employed 8/22/1985 to 8/31/2015, 30 years. Electrical Line Foreperson.
10. POWELL, MICHAEL R. – Consolidated, Life Only. Terminated Vested Early Benefit.
Effective 10/1/2015. Monthly Benefit of \$439.85.
Employed 10/9/1990 to 7/1/2001, 10 years, 8 months. Police Officer.
11. TOMLIN, FLOYD L. – Consolidated, Joint & Survivor option. Terminated Vested Early Benefit.
Effective 9/1/2015. Monthly Benefit of \$195.90.
Employed 8/26/1985 to 6/15/1995, 9 years, 9 months. Equipment Operator II.

Chairperson Morgan asked for a **motion** to approve the 11 **retirement applications**. **Philip Goldstein made the motion, Jess Zerbe seconded the motion, and the vote was unanimous, 8-0.**

Chairperson Morgan then moved to **Old Business** regarding disability retirement. Chairperson Morgan stated that we would stand pat, as the designated committee had taken no action because of the open question regarding survivor's benefits.

Chairperson Morgan then moved to a discussion regarding **survivor's benefits**, stating that there were three different options provided by the actuary (Ed Koebel from Cavanaugh Macdonald Consulting, LLC) that he could report for a fee of \$2,500. Philip Goldstein stated a concern regarding the plan's funding and increasing benefits. Tim Milligan stated that the industry standard is not to increase benefits until the plan was at least 80% funded and we are only at 59 or 60%. A long discussion ensued, with Bill Bruton mentioning the increase in life insurance to three times salary up to \$300K and the Supplemental Pension education as alternatives to adding survivor's benefits for active employees.

Chairperson Morgan then moved to **New Business**, and mentioned that the board needed to review the Investment Policy Statement for the Supplemental Pension. He stated that he would bring it back to the February meeting.

Chairperson Morgan then moved to a discussion regarding **obtaining a consultant for the Supplemental Pension**. He mentioned that Principal did not contract with Jackie Deckman and her company (Atlanta Retirement Partners) to provide these services, and we could not force them to obtain a consultant with the same fees they are currently receiving. Discussion ensued as to the legality of adding a consultant to the existing agreement without re-bidding the entire service. Chairperson Morgan asked if there was a **motion** on the floor to **conduct all activities necessary to add a consultant** as long as staff determined legality. **Anthony Coleman made the motion, Jess Zerbe seconded, and the vote as unanimous, 8-0.** (*Philip Goldstein departed the meeting at 11:02am*)

Chairperson Morgan then moved to a discussion regarding attendance at the **GAPPT Trustee School** in Macon from March 21-23, 2016. He asked if there was a **motion** on the floor to allow Sam Lady to do the following: approve attendance for any required personnel and pay for related fees and expenses. **Tim Milligan made the motion, Bill Bruton seconded, and the vote was unanimous, 7-0.**

Chairperson Morgan then scheduled the **next meeting for February 10, 2016**, to align with the council meeting that month.

Chairperson Morgan then asked for a **motion to adjourn** the meeting. **Eric Lockhart made the motion, Anthony Coleman seconded, and the vote was unanimous, 7-0.**

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APPROVED THIS 10th DAY OF February, 2016

Freddy Morgan
Freddy Morgan, Chairperson, Pension Board

ATTEST: [Signature]
Davy Godfrey, Pension Board Secretary